July 21, 2010

Washington, DC – Today, President Barack Obama signed the Wall Street reform bill into law. Following the signing, Rep. Luján issued the following statement.

“For too long Wall Street banks have profited while their irresponsible behavior have hurt New Mexican families,” said Rep. Luján. “The Wall Street Reform bill signed into law today will hold Wall Street accountable for irresponsible behavior, help put an end to bailouts, improve oversight and transparency in the financial system and protect consumers from predatory financial practices. This is an important step toward making sure the problems that led to our current economic crisis do not happen again.”

The Wall Street Reform bill:

- Creates a new independent consumer protection watchdog to ensure that consumers purchasing mortgages and using credit cards get accurate information. It also will protect consumers from hidden fees and terms as well as abusive practices.
- Helps ends too-big-to-fail bailouts by establishing an orderly process for winding down failed banks and financial firms, preventing too-big-to-fail banks from being created and extending rigorous oversight of the activities of more financial firms.
- Improves transparency and accountability by providing new rules for credit rating agencies, eliminating loopholes used to hide abusive practices, and preventing hidden risky transactions associated with dangerous financial products.

The legislation also accomplishes the goals of the Luján Amendment to the House bill by preventing banks from merging with nonbank entities to become a too-big-to-fail company. Under current law, a bank cannot merge with another bank if the combined deposits equal or exceed 10 percent of all US deposits. There is currently a loophole that allows a bank to buy a nonbank entity, such as a thrift, and exceed this threshold. For example, Bank of America’s purchase of Countrywide Mortgage in 2008 exploited this loophole to become the largest bank holding company in the country.

Rep. Luján’s amendment, which was originally added to the House legislation in the manager’s amendment, would close this loophole and prevent banks from merging with thrifts if the combined deposits equal or exceed 10 percent of all US deposits. This ensures that no bank can grow beyond 10 percent of all US deposits through a merger, preventing the creation of “too big to fail” entities that could threaten the stability of the financial system.